

## Message Text

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42

ACTION EUR-12

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AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: ETRD,ENRG,EEWT,UR

SUBJECT: SOVIETS PAY HIGH PRICE FOR GENERAL CONTRACTING SERVICES

USDOC FOR BEWT/USSR

1. REPRESENTATIVE OF OTIS ENGINEERING (AHLIBURTON SUBSIDIARY) RECENTLY ADVISED COMATT THAT ORIGINAL PRICE QUOTED TO SOVIETS BY CREUSOT LOIRE FOR OTIS-MANUFACTURED EQUIPMENT TO BE USED IN ORENBURG PROJECT WAS 200 PERCENT OVER PRICE FOR WHICH OTIS HAD PREVIOUSLY SOLD SAME EQUIPMENT TO SOVIETS. WHEN SOVIETS OBJECTED TO THIS MARK-UP, CREUSOT-LOIRE EVENTUALLY CUT ITS PERCENTAGE DOWN TO A MERE 90 PERCENT OVER OTIS' PRICE. OTIS REP SAID HE HAD IMPRESSION THAT SOVIETS HAD ACCEPTED THIS MARK-UP.

2. COMMENT: THIS REPORT DEMONSTRATES HIGH PRICE WHICH SOVIETS OFTEN HAVE TO PAY FOR CONVENIENCE OF DEALING WITH ONE WESTERN SUPPLIER RATHER THAN SEVERAL ON THE SAME PROJECT. IN RECENT YEARS, SOVIETS HAVE DEMONSTRATED A STRONG PREFERENCE FOR THE "GENERAL CONTRACTOR," PACKAGE-DEAL APPROACH. FROM THEIR POINT OF VIEW, THIS TECHNIQUE HAS ADVANTAGE OF SIMPLIFYING NEGOTIATIONS AND, MORE IMPORTANT, LEAVING ONE WESTERN COMPANY AS GUARANTOR THAT PLANT IN QUESTION WILL OPERATE ACCORDING TO ITS SPECIFICATIONS. IT IS QUESTIONABLE, HOWEVER, WHETHER ADVANTAGE OF DEALING WITH ONE COMPANY, SUCH AS CREUSOT-LOIRE ON ORENBURG EQUIPMENT, IS WORTH WHAT SOVIETS HAVE TO PAY. NONETHELESS, IN RECENT CONVERSATION WITH COMMERCIAL OFFICERS ABOUT ALUMINUM NEGOTIATIONS

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(SEE SEPTTEL), V.S. TSUKANOV,

DEPUTY CHIEF OF FOREIGN TRADE MINISTRY'S MAIN ADMINISTRATION FOR  
COMPENSATION PROJECTS, STRESSED SOVIET PREFERENCE FOR DEALING  
WITH ONE COMPANY (IN THIS CASE, ALCOA,KAISER OR PECHINEY ON  
ALUMINUM PROJECT). TSUKANOV SAID SOVIETS KNEW THEY HAD TO PAY  
FOR CONVENIENCE BUT INDICATED THAT THEY BELIEVED IT WAS A GOOD  
BARGAIN.  
STOESSEL

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## Message Attributes

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**Disposition Case Number:** n/a  
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